

Message Text

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AMEMBASSY JAKARTA

AMEMBASSY TEHRAN
AMEMBASSY NAIROBI
USINT CAIRO
AMEMBASSY SEOUL
AMEMBASSY KUWAIT
AMEMBASSY BEIRUT
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AMEMBASSY ISLAMABAD
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AMEMBASSY LIMA
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AMEMBASSY PRETORIA
AMEMBASSY COLOMBO
AMEMBASSY PORT OF SPAIN
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AMEMBASSY KATHMANDU
AMEMBASSY MANILA
AMEMBASSY SANTIAGO
AMEMBASSY LOME
AMEMBASSY TEL AVIV
AMEMBASSY LA PAZ
XMT USMISSION IAEA VIENNA
USMISSION OECD PARIS

AMEMBASSY REYKJAVIK

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E.O. 11652 N/A

TAGS: EAGR

SUBJECT: EXTENSION OF FOOD AID CONVENTION OF INTERNATIONAL
WHEAT AGREEMENT

1. PURPOSE - THE PURPOSE OF THIS MESSAGE IS TO BRING TO ATTENTION OF ADDRESSEE COUNTRIES US POSITION FAVORING EXTENSION FOR TWO YEARS OF FOOD AID CONVENTION, AS WELL AS WHEAT TRADE CONVENTION, OF INTERNATIONAL WHEAT AGREEMENT, 1971, AND TO ALERT THEM TO FACT THAT DESPITE US AND OTHER DONORS SUPPORT, FAC, WHICH ASSURES OVER 4 MILLION TONS OF WHEAT AND OTHER FOOD GRAINS TO DEVELOPING COUNTRIES IS LIKELY TO LAPSE ON JUNE 30, 1974, UNLESS EUROPEAN ECONOMIC COMMUNITY REACHES DECISION BEFORE FEBRUARY 20 IN FAVOR OF EXTENSION. FEBRUARY 20 IS DATE OF SPECIAL MEETING OF FOOD AID COMMITTEE REPRESENTING ALL PARTIES TO FAC TO DECIDE ITS FATE.

2. RECENT DEVELOPMENTS- INTERNATIONAL WHEAT COUNCIL (IWC) MET IN LONDON NOVEMBER 26-29, FOLLOWED BY MEETING OF FOOD AID COMMITTEE NOVEMBER 30. PURPOSE IN ADDITION TO OTHER BUSINESS, WAS TO REACH AGREEMENT ON TWO-YEAR EXTENSION OF WHEAT TRADE CONVENTION (WTC) AND FOOD AID CONVENTION (FAC) WHICH TOGETHER CONSTITUTE INTERNATIONAL WHEAT AGREEMENT, 1971, AND WHICH EXPIRE JUNE 30, 1974.

3. GENERAL AGREEMENT WAS VOICED ON EXTENDING WTC, SO THAT INTERNATIONAL WHEAT COUNCIL WHICH WAS ESTABLISHED IN 1949

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CAN CONTINUE AS FORUM FOR DEALING WITH WORLD WHEAT TRADE. AGREEMENT ALSO WAS EXPRESSED BY ALL PARTIES EXCEPT EUROPEAN ECONOMIC COMMUNITY (EEC) THAT FAC SHOULD BE EXTENDED. EEC WAS READY TO APPROVE EXTENSION OF THE WTC BUT IT ANNOUNCED IT HAD NOT YET REACHED DECISION ON EXTENDING THE FAC. WE BELIEVE THIS DUE PRIMARILY TO OPPOSITION OF UK AND DENMARK TO EXTENSION. BOTH WERE PARTIES TO PREVIOUS FAC (1967) BUT WITHDREW IN 1971 ON GROUNDS THEY BELIEVED OTHER FORMS OF AID MORE EFFECTIVE THAN FOOD ASSISTANCE IN GRAINS. THEY BECAME MEMBERS OF THE FAC FOLLOWING ACCESSION TO THE EEC BECAUSE THEY WERE REQUIRED TO ASSUME ALL THE INTERNATIONAL OBLIGATIONS OF THE COMMUNITY.

4. IN INTEREST GIVING EEC MAXIMUM TIME TO ATTEMPT ARRIVE AT FAVORABLE DECISION ON FAC, DECISIONS ON EXTENDING BOTH

WTC AND FAC HAVE BEEN POSTPONED TO FEBRUARY 20-21. EEC IS SECOND LARGEST DONOR UNDER FAC. IT IS DOUBTFUL THAT OTHER DONORS INCLUDING US, WILL SUPPORT EXTENSION FAC IF EEC REJECTS FAC OR STILL HAS NOT REACHED A DECISION ON FEBRUARY 20.

5. OBLIGATIONS UNDER FAC - EIGHT COUNTRIES AND EEC ARE PARTIES TO FAC. IT COMMITS THEM TO MINIMUM ANNUAL QUANTITIES OF FOOD ASSISTANCE, PRINCIPALLY IN WHEAT AND COARSE GRAINS BUT WITH PROVISION, UNDER CERTAIN CONDITIONS, FOR CONTRIBUTIONS OF RICE OR CASH. QUOTAS ARE (METRIC TONS): ARGENTINA 23,000; AUSTRALIA 225,000; CANADA 495,000; EEC 1,287,000; FINLAND 14,000; JAPAN 225,000; SWEDEN 35,000; SWITZERLAND 32,000; US 1,890,000. TOTAL IS 4.2 MILLION TONS, OF WHICH US SHARE IS 45 PERCENT AND EEC SHARE 30 PERCENT.

6. US POSITION - WE BELIEVE THAT MULTILATERAL COMMITMENT BY DEVELOPED COUNTRIES, WHETHER GRAIN IMPORTERS OR EXPORTERS TO CONTRIBUTE FOOD ASSISTANCE IN GRAINS TO DEVELOPING COUNTRIES IS IMPORTANT PRINCIPLE WHICH SHOULD BE PRESERVED. ALLOWING FAC TO EXPIRE WHILE WORLD GRAIN SUPPLIES STILL TIGHT WOULD BE PARTICULARLY UNFORTUNATE AND WOULD HAVE UNDESIRABLE PSYCHOLOGICAL IMPACT ON PREPARATIONS FOR WORLD FOOD CONFERENCE, NOW SCHEDULED FOR NOVEMBER, 1974, AND ON POSITION OF DEVELOPED NATIONS AT THAT CONFERENCE. FOOD LIMITED OFFICIAL USE

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AID WILL BE MAJOR TOPIC AT WFC AND WE BELIEVE IT UNWISE TO ABANDON FUNCTIONING MECHANISM PRIOR TO DISCUSSION THAT FORUM. WHEAT HAS BEEN INCLUDED IN FY-75 PL 480 BUDGET DESPITE SHORT SUPPLY SITUATION ALMOST ENTIRELY BECAUSE ASSUMPTION FAC WOULD BE EXTENDED, WITH EEC PARTICIPATION.

7. PRESUMABLY DEVELOPING NATION RECIPIENTS OF FOOD ASSISTANCE SHARE THIS POINT OF VIEW. HOWEVER THERE WAS NOTABLE LACK OF STRONG STAND BY DEVELOPING NATIONS IN SUPPORT OF FAC EXTENSION AT NOVEMBER COUNCIL AND FOOD AID COMMITTEE MEETINGS. INDIA WAS ONLY EXCEPTION AMONG RECIPIENT COUNTRIES.

8. ACTION REQUESTED- WE BELIEVE THAT GOVERNMENTS OF DEVELOPING NATIONS WHICH HAVE RECEIVED FOOD ASSISTANCE UNDER THE FAC MAY NOT BE AWARE OF ITS POSSIBLE DEMISE. ACCORDINGLY, UNLESS YOU DEEM IT INAPPROPRIATE, PLEASE DISCUSS FAC EXTENSION WITH HOST GOVERNMENT, STRESSING FACT THAT US SUPPORTS EXTENSION AND SUGGESTING THAT HOST GOVERNMENT, IF IT ALSO SUPPORTS EXTENSION, MAY WISH TO MAKE ITS VIEWS KNOWN TO THE EEC COMMISSION AND TO EEC MEMBER GOVERNMENTS, PARTICULARLY THE UK, PRIOR TO FEBRUARY 20 MEETING.

9. ADDRESSEES INCLUDE ALL MEMBERS IWC EXCEPT USSR, REPUBLIC OF CHINA, CUBA AND SYRIAN ARAB REPUBLIC, AND FOLLOWING NON-MEMBERS IWC WHICH ARE ACTUAL OR INTENDED RECIPIENTS EEC FOOD ASSISTANCE UNDER FAC 1972/73 COMMITMENTS: AFGHANISTAN, BANGLADESH, BURUNDI, CHAD, CHILE, ETHIOPIA, JORDAN, LESOTHO, MALAGASY REPUBLIC, MALI, MAURITANIA, NEPAL, NIGER, RWANDA, SENEGAL, SOMALIA, SUDAN, TOGO, UPPER VOLTA, ZAIRE, ZAMBIA, AND YEMEN. IWC MEMBER NATIONS THAT RECEIVED EEC FOOD ASSISTANCE UNDER 1972/73 FAC PROGRAM ARE: MALTA, EGYPT, PAKISTAN, SRI LANKA, INDONESIA, PHILIPPINES, BOLIVIA, PERU, URUGUAY.

10. USEC AND CAPITALS OF EEC MEMBER COUNTRIES: UNLESS YOU BELIEVE IT INADVISABLE, YOU SHOULD APPROACH COMMISSION AND HOST GOVERNMENTS AT APPROPRIATE LEVELS AND MAKE CLEAR US CONTINUES FAVOR 2 YEAR EXTENSION OF FAC, FOR REASONS GIVEN ABOVE, AND URGES OTHER PARTIES TO THE FAC TO APPROVE EXTENSION. WE UNDERSTAND FAC EXTENSION NOT REPEAT NO ON LIMITED OFFICIAL USE

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AGENDA OF JAN. 30, PERM REP MEETING WHICH IS NECESSARY IF EEC COUNCIL IS TO CONSIDER SUBJECT AT FEB. 5 MEETING, PROBABLY LAST OPPORTUNITY BEFORE FOOD AID COMMITTEE MEETS. EMBASSY LONDON SHOULD EMPHASIZE IT IS
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